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TO RUEHC/SECSTATE WASHDC IMMEDIATE 2738
INFO RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC
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RUCNDT/USMISSION USUN NEW YORK PRIORITY 0568
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RUEHBY/AMEMBASSY CANBERRA PRIORITY 0641
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RUEHLO/AMEMBASSY LONDON PRIORITY 0401
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RUEHWL/AMEMBASSY WELLINGTON PRIORITY 0498
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RUEHDT/AMEMBASSY DILI 2063

S E C R E T SECTION 01 OF 03 DILI 000335

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SUBJECT: EAST TIMOR SITREP FOR 28 JULY

REF: (A) DILI 334; (B) DILI 333

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CLASSIFIED BY: Grover Joseph Rees, Ambassador, EXEC, State.
REASON: 1.4 (b), (d)

11. (U) Summary:

--- Dili security situation deteriorates overnight;
--- President "considering all options" for new Government;
--- Demonstration update: westerners prepare to depart,
easterners undecided;
--- UDT leadership announces the replacement of its two Members
of Parliament;
--- Government of Portugal activities and concerns.
End Summary.

Dili security situation deteriorates overnight

12. (U) Shortly after 8:00 p.m. last night, there was a significant increase in tensions and related security incidents throughout Dili. This followed the national television broadcast of newly resigned Prime Minister Mari Alkatiri speaking to would-be pro-Fretilin demonstrators --- all from the three eastern districts of East Timor --- who were gathered approximately 30 minutes outside of Dili. Embassy contacts reported that as soon as the broadcast concluded there was a resurgence of the Loromonu (western) versus Lorosae (eastern) gang activity that plagued the city a few weeks ago. There were reports through the night of multiple gunshots, hostile roaming groups of young men, and multiple home burnings. Burnings continued through today. Although the official Joint Task Force (JTF) estimate was of 16 houses burnt and two incidents of gunfire, unofficial reports from individual Timorese were that several dozen houses were burnt last night and this morning and that sporadic gunfire was heard throughout the night in several neighborhoods.

13. (U) Some of the participants in the largely peaceful anti-Alkatiri demonstrations that have taken place over the last few days may have participated in the violence. It is likely,

however, that many or most of the participants were the same neighborhood-based gangs that have committed similar acts over the last several weeks. Demonstrators to whom Emboffs spoke today indicated their unhappiness with the violent turn of events.

President "considering all options" for new Government

14. (SBU) Despite President Xanana Gusmao's announcement on Monday evening that he himself would lead the government for 30 days in order to give the ruling Fretilin party time to reorganize itself and propose a candidate for Prime Minister (see ref A) sources close to the President report that he is actively considering other options that might result in earlier formation of an interim government to lead the country until elections can be held. These options include negotiating with the Fretilin leadership to name a mutually acceptable Prime Minister --- notwithstanding the President's belief that the current party leadership was illegally elected and has no standing to participate in the process --- and dissolving Parliament and calling new elections. See reftels. Sources close to the discussions said a decision could be announced within the next 48 hours.

Demonstration update: westerners prepare to depart, easterners undecided

15. (U) Organizers of the anti-Alkatiri demonstration, which began earlier this week and was made up almost entirely of people from western districts --- in part because local officials in the East reportedly prevented anti-Alkatiri demonstrators from coming to Dili --- told Emboff this afternoon that they had taken a decision to end the demonstration and send all participants from the districts home. They reported that this decision was made today following a meeting dissident leader Major Tara and other organizers held with President Xanana Gusmao yesterday. One organizer from Maliana stated that

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they wanted to follow the President's request to give the pro-Alkatiri demonstrators the chance to hold their own demonstration. In addition, he expressed satisfaction with Alkatiri's resignation. The demonstration organizer said he was now willing to return home and observe political developments over the next few weeks. Other departing demonstrators, in addition to reiterating their support for Gusmao, expressed weariness with their stay in Dili and a desire to get back to their normal lives. We will continue to check on their status to confirm whether the majority are in fact departing.

16. (U) Meanwhile, the pro-Fretilin demonstrators gathered about 30 minutes east of the city remain in place. According to our most recent information, they were expecting another appearance by Alkatiri and Fretilin party President Francisco "Lu'olo" Guterres this afternoon, at which point they were planning to make a decision about whether to come to Dili, continue to wait, or cancel their demonstration plans and return to the districts.

UDT leadership announces the replacement of its two Members of Parliament

17. (U) The two top officials of the Timorese Democratic Union party (UDT) held a press conference today announcing the replacement of the party's two Members of Parliament. UDT is East Timor's oldest political party and currently holds two seats in Parliament. According to UDT President Joao Carrascalao, the party's MPs enraged the party's governing council when they joined other opposition groups yesterday in announcing that all opposition members in Parliament should stop participating in the work of the legislative branch in hopes of persuading the President to dissolve Parliament. The party's

leadership was not consulted by the two MPs and Carrascalao stated that he found the statement by opposition MPs to be irresponsible. UDT's leadership expressed their full support for the President and urged him to take quick and decisive action to end the current political crisis. They continued by stating that any interim or caretaker Government would need to work with the Standing Committee of Parliament which would fulfill the legislative function should Parliament be dissolved. Carrascalao concluded by expressing his hope that a political solution can be found among politicians and stated his concern that the attempt to start a popular uprising is both detrimental to the development of democracy and potentially dangerous for the residents of Dili.

18. (SBU) Although he leads an opposition party, Joao Carrascalao is a close personal friend of ex-Prime Minister Alkatiri. In a conversation with the Ambassador just before the press conference, Carrascalao expressed strong opposition to the parts of the opposition statement that were personally critical of Alkatiri and Lu'Olo.

19. (U) Comment: It is not clear that the UDT leadership has the legal authority to replace the party's Members of Parliament. When another party attempted to do this in 2003, Lu'Olo ruled that parties did not have the power to replace members of Parliament once they are seated. The UDT leadership may be resting its legal claim on the fact that its two members were themselves substituted in 2002 for other elected members who had resigned from Parliament. End Comment.

Government of Portugal activities and concerns

110. (S/REL/AUS/NZ/UK/CAN) EmbOff met today with several UN-funded Portuguese advisors working in an array of government ministries. When questioned regarding the general mood among Portuguese advisors and the Portuguese Embassy, the interlocutors stated that there was a growing fear that the next government --- or indeed even the interim government --- could adopt a less pro-Portugal, pro-Lusophone stance than did the Alkatiri Government. Although the issue of Portuguese as a national language is still debated in Timor, the Portuguese

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community appears more worried about having a Timorese Prime Minister who does not see East Timor as having a special relationship with other Lusophone countries. Should the next Government adopt a more balanced approach and seek advisors from a wide array of countries, including the United States and Australia, the influence of the Government of Portugal would be greatly diminished as much of Lisbon's influence here in Timor flows directly through these bilateral and multilateral advisors rather than through the Portuguese Embassy. The advisors said they had heard that the Portuguese Secretary of State for Foreign Affairs and Cooperation, Joao Cravinho, made an unannounced trip to Dili on Sunday in hopes of convincing Prime Minister Alkatiri to resign and influence the selection, within Fretilin, of the next Prime Minister. Cravinho's intervention may well have helped to convince Alkatiri to resign and to propose his close friend and ally Ana Pessoa to become the next Prime Minister.

REES